

MEDIA RELEASE



**Attention: News Director
For Immediate Release
November 9, 2006**

**U.S. DEPARTMENT OF JUSTICE
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Western District of Kentucky**

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**BOWLING GREEN MAN INDICTED FOR ARSON, MAIL FRAUD,
ILLEGAL GAMBLING, AND MONEY LAUNDERING**

– VFW Commander allegedly used Post 1298 for illegal activities

David L. Huber, United States Attorney for the Western District of Kentucky, and Paul Vido, Special Agent in Charge for the Bureau of Alcohol, Tobacco, Firearms and Explosives, jointly announced today that on November 8, 2006, a federal Grand Jury in Bowling Green, **returned an Indictment** charging **DONALD MUDD**, age 65, of Bowling Green, Kentucky, and **MARTHA TOWE**, age 53, also of Bowling Green, Kentucky, with operating an illegal gambling business, money laundering, illegal structuring of monetary transactions, mail fraud, and arson.

“The joint investigative efforts of the ATF Arson Task Force, the Bowling Green Fire Department, Kentucky Gaming Commission, and the Internal Revenue Service are to be commended for combining their expertise in assembling evidence for this prosecution.” said ATF Louisville Special Agent in Charge Paul Vido.

The Indictment charges that from on or about at least January 1, 2000, and continuing up to and including August 13, 2003, **Mudd** and **Towe** operated an illegal gambling business in Warren County, Kentucky, and conspired with each other to launder funds derived from that illegal gambling

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business. **Mudd** is the Commander of Post 1298 for the Veterans of Foreign Wars of the United States, which is located in Bowling Green, Kentucky. Post 1298 for the Veterans of Foreign Wars of the United States is a registered 501(c)(3) organization and permitted by Kentucky law to operate charitable gaming. The indictment charges that **Mudd** and **Towe** managed semiweekly charitable gaming activities at the VFW Post 1298 at which players participated in bingo games and pull tabs. During the operation of legal charitable gaming activities, **Mudd** and **Towe** offered pull tab games to the players that were for the defendants' personal benefit, rather than for the benefit of the VFW Post 1298, as is required by Kentucky's charitable gaming law Kentucky Revised Statute 238.536, which provides that no net receipts shall inure to the benefit or financial gain of an individual.

Throughout this time, according to the Indictment, **Mudd** also owned and operated video slot machines at the VFW Post 1298. The video slot machines, like the pull tab games described above, were for the benefit of himself and **Towe**. The operation of video slot machines violates Kentucky Revised Statute 528.020.

The Indictment further charges that **Towe** and **Mudd** conspired to conceal the proceeds of the illegal gambling activity. Specifically, the indictment charges that **Towe** and **Mudd** committed money laundering by structuring multiple financial transactions for the purpose of evading cash reporting requirements.

The Indictment also charges that on or about August 13, 2006, **Mudd** burned down the VFW Post 1298 in Bowling Green, Kentucky.

Finally, the Indictment charges **Mudd** with devising a scheme to defraud an insurance company by providing false and fraudulent representations regarding the fire at the VFW Post 1298 in Bowling Green, Kentucky. According to the Indictment, on October 27, 2003, **Mudd** certified

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on a sworn statement in proof of loss for \$246,688.00 that "the said loss did not originate by any act, design or procurement on the part of your insured, or this affiant". In fact, the Indictment charges **Mudd**, the affiant, with being responsible for the fire that caused the loss to the VFW Post 1298. Relying upon the false certification by **Mudd**, Westport Insurance Corporation issued a check in the amount of \$246,688.00 payable to "LT HAROLD R. CORNWELL VFW POST #1298".

The Indictment further charges **Mudd** with defrauding the V.F.W. Post 1298. According to the Indictment, **Mudd** caused a claim for loss reimbursement to be submitted seeking reimbursement for losses caused by business interruption resulting from the fire. In fact, according to the Indictment, **Mudd** diverted the insurance proceeds for his personal benefit. Relying upon the false certification by **Mudd** and the representation that the money was intended for use by the V.F.W. Post #1298, Westport Insurance Corporation issued a check in the amount of \$16,822.16 payable to "LT HAROLD R. CORNWELL VFW POST #1298".

The Indictment charges that **Mudd** diverted this money for his personal benefit. According to the Indictment, **Mudd** opened a bank account in the name of "Lt. Harold R. Cornwell Post Special Account." At that time, **Mudd** deposited the \$16,822.16 check payable to "LT HAROLD R. CORNWELL VFW POST #1298" from Westport Insurance Corporation. On February 17, 2005, **Mudd** diverted \$2,499.00 by purchasing, for his personal benefit, a John Deere riding lawn mower. On March 26, 2005, **Mudd** used \$1,450.00 from the "Lt. Harold R. Cornwell Post Special Account" to purchase a Browning gun safe. And, on November 22, 2005, **Mudd** spent \$3,062.99 from the "Lt. Harold R. Cornwell Post Special Account" on a 42-inch plasma television.

If convicted, the maximum potential penalties are 25 years imprisonment, a \$750,000 fine, and supervised release for a period of 6 years.

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The case is being prosecuted by Assistant United States Attorney Eric I. Long, the Bureau of Alcohol, Tobacco, Firearms and Explosives, the Internal Revenue Service Criminal Investigative Division, the Kentucky Office of Charitable Gaming, and the Bowling Green Fire Department.

Mudd and **Towe** were arrested today and made their first appearance before the United States Magistrate Judge. **Mudd** and **Towe** are scheduled to appear for arraignment before the United States Magistrate Judge on November 22, 2006, at 10:00 a.m., in Bowling Green, Kentucky.

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The indictment of a person by a Grand Jury is an accusation only and that person is presumed innocent until and unless proven guilty.

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